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## **INTRODUCTION**

The Office of Internal Audit reviewed controls related to Procurement Card Usage by the Commission for the Blind (Commission) during the period from February 4 through August 4, 1999. We reviewed the procedures in place to determine if the Commission was complying with the requirements of Administrative Handbook Manual (AHM) Item 421-1 regarding the use of the Procurement Card, and the documentation and reconciliation procedures related to Procurement Card purchases.

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We included all of the transactions incurred during three “Cardholder Transaction Detail” billing periods for 19 cardholders selected for our review. In addition to the “Cardholder Transaction Detail” billings, we reviewed “Procurement Card Transaction Logs,” (Transaction Logs) invoices, and any other documentation that supported the transactions on the billings. We also interviewed cardholders and cardholders’ supervisors to determine compliance with the requirements of AHM Item 421-1.

## **EXECUTIVE SUMMARY**

Based on our audit, we concluded that the Commission generally complied with the requirements of AHM Item 421-1 regarding the use of the Procurement Card, and the documentation and reconciliation procedures related to Procurement Card purchases. However in 13 of 23 instances reviewed, the Cardholder Transaction Detail and Transaction Logs were not sent to the Procurement Card Coordinator within 30 days of the end of the billing cycle as is required by AHM Item 421-1. We also noted 8 instances where there was no sales receipt from the vendor maintained on file and several isolated

instances where other AHM Item 421-1 requirements were not met. Further, we were informed that some cardholders allow other employees to use their procurement card account number to order items.

### **COMMISSION RESPONSE**

The management of the Commission for the Blind has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated October 26, 1999 that they are in general agreement with the report, and have been working with the Office of Purchasing to ensure that they implement an appropriate and workable corrective action plan.

### ***FINDINGS AND RECOMMENDATIONS - COMPLIANCE***

The following are instances we noted where the Commission was not operating in accordance with AHM Item 421-1 policies and procedures.

#### **Improper Purchases Made with the Procurement Card**

1. While reviewing supporting documentation for procurement card charges we noted an expenditure of \$87.98 for an employee's lodging and a \$9.95 charge for video fees incurred by a trainer while staying in a motel.

AHM Item 421-1, page 3 states that Procurement Cards cannot be used for employee travel expenses or personal use items. Complying with the provisions of the AHM helps to ensure that the Procurement Cards are only used for FIA-approved purchases.

WE RECOMMEND the Commission comply with AHM Item 421-1 regarding purchases made with the Procurement Card.

#### Unauthorized Use of the Procurement Card

2. When interviewing cardholders we were informed that some cardholders let other employees use their Procurement Card account numbers to order necessary items.

AHM Item 421-1, page 2 states that, “Only the authorized Cardholder whose name appears on the Card may use the Procurement Card”. This requirement helps to ensure that the Procurement Card is not used improperly.

WE RECOMMEND the Commission comply with AHM Item 421-1 by ensuring that only the authorized cardholder be allowed to use the Procurement Card.

#### Purchase Documentation

3. We noted one receipt for restaurant charges which had no total figure (the actual total was \$123.90), and eight transactions for which there were no receipts to document the expenditures.

AHM Item 421-1, page 7 states that each transaction should include documents such as actual sales receipts that detail and verify the purchase. This procedure provides physical documentation to support purchases made.

WE RECOMMEND the Commission maintain complete sales receipts in support of all purchases made in accordance with AHM Item 421-1.

#### Verification of Goods and Services Received

4. Two of the Transaction Logs reviewed were not initialed by anyone in the “Verification of Goods and Services Received” column and two of the Transaction Logs were initialed or signed in that column by the Cardholder.

AHM Item 421-1, page 8 states that a third party, an FIA employee other than the cardholder or the cardholder’s supervisor, must initial in the “Verification of Goods and Services Received” column to verify that the items ordered/purchased or services rendered are received. This procedure improves internal controls by having someone outside of the purchase process certifying that the goods or services were received.

WE RECOMMEND that the Transaction Log’s “Verification of Goods and Services Received” column be initialed by a third party in accordance with AHM Item 421-1.

#### Date Items or Services Were Received

5. For one Transaction Log reviewed we noted that the “Dates Received” column had not been filled in.

AHM Item 421-1, page 8 states that the date items or services purchased are actually received should be entered in the “Dates Received” column. With this information one can look at the Transaction Log and see what purchases have been received, when they were received, as well as what purchases are still outstanding.

WE RECOMMEND the Commission ensure that the date is always entered in the “Dates Received” column of the Transaction Log when the items or services purchased are received.

### Transaction Log

6. During our review of the Transaction Logs we observed four different versions of the Transaction Log being used. Some Commission cardholders were using the correct one per AHM Item 421-1, page 7 and AHM Appendix 900-6, page 3; and some cardholders were using the one prepared for use by sight impaired employees. In addition, some cardholders were using additional versions that are not currently approved for use.

Limiting the Transaction Log to only the version prescribed by AHM Item 421-1 and the version necessary for use by sight impaired employees improves internal controls by providing consistency in recordkeeping.

WE RECOMMEND the Commission limit the number of versions of Transaction Logs being used to the one prescribed by AHM Item 421-1 and the one necessary for use by sight impaired employees.

### Sight Impaired Transaction Log

7. The Transaction Log designed for use by sight impaired employees had an automated feature for entering the purchase date, but it sometimes entered the wrong date. Also this version of the Transaction Log did not have a “Verification of Goods and Services Received” column for third parties to initial indicating their verification that items purchased were received.

AHM Item 421-1, page 7 states that the purchase date to be recorded on the Transaction Log is to be the date the cardholder phoned, mailed, or went to the store to make a purchase. Also, AHM Item 421-1, page 8 prescribes the use of the “Verification of Goods and Services Received” column. Revising this version of the

Transaction Log to provide the correct purchase date and adding a “Verification of Goods and Services Received” column will ensure that the Transaction Log accurately provides the information AHM Item 421-1 requires.

WE RECOMMEND that the Commission revise the Transaction Log designed for use by sight impaired employees to always provide the correct purchase date, and to include a “Verification of Goods and Services Received” column.

#### Transaction Log Approval

8. We noted one Transaction Log not signed and dated by the supervisor and another Transaction Log that was signed but not dated.

AHM Item 421-1, page 10 states that the supervisor must sign and date the Transaction Log. By signing and dating the Transaction Log the supervisor is attesting that the reconciliation of the Transaction Log to the Cardholder Transaction Detail has been completed and the entries are correct or a resolution is in progress.

WE RECOMMEND that Commission supervisors sign and date all Transaction Logs before submitting them to the Procurement Card Coordinator.

#### Timely Submission of Cardholder Transaction Detail and Transaction Logs

9. In 13 of 23 instances reviewed, the Cardholder Transaction Detail and Transaction Logs were not sent to the Procurement Card Coordinator within 30 days of the end of the billing cycle.

AHM Item 421-1, page 10 states that the Transaction Logs and Transaction Detail Sheet are to be sent to the Procurement Card Coordinator within 30 days of the end

of the billing cycle. This is necessary in order that the Procurement Card Coordinator can review the transactions on a timely basis.

WE RECOMMEND the Commission take steps to ensure that the Transaction Logs and Cardholder Transaction Detail are sent to the Procurement Card Coordinator within 30 days of the end of the billing cycle as required by AHM Item 421-1.

### **RECOMMENDATION FOR IMPROVED INTERNAL CONTROL**

The following is an area where we have identified a control weakness at the Commission, and we are making a recommendation to strengthen internal controls.

#### **Documenting Purpose for Expenditures**

10. During our review of the supporting documentation for expenditures we noted several instances where, while there was a sales receipt to support the expenditure, the purpose of the expenditure could not be determined from looking at the available documentation. These expenditures included items such as purchases of food, paying for meals for a group of people at a restaurant, and purchases of equipment or supplies.

Internal Controls over expenditures would be strengthened if the cardholder included in the supporting documentation information identifying what the item purchased was used for.

WE RECOMMEND the Commission ensure that cardholders include in their supporting documentation information identifying the purpose for items purchased.